

**CITY OF NORA SPRINGS, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

Table of Contents ---

Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-3
Detailed Recommendations.....	4-5

Officials

Name	Title	Term Expires
(Before January, 2014)		
Elected Officials		
George Andersen	Mayor	December 31, 2013
Steve Blickenderfer	Council Member	December 31, 2015
Alan Brallier	Council Member	December 31, 2015
Larry Cross	Council Member	December 31, 2013
Brian Hanft	Council Member	December 31, 2013
Candace Smith	Council Member	December 31, 2015
Appointed Officials		
Deborah Gaul	City Administrator	Indefinite
(After January, 2014)		
Elected Officials		
George Andersen	Mayor	December 31, 2017
Steve Blickenderfer	Council Member	December 31, 2015
Alan Brallier	Council Member	December 31, 2015
Margaret Veker	Council Member	December 31, 2017
Brian Hanft	Council Member	December 31, 2017
Candace Smith	Council Member	December 31, 2015
Appointed Officials		
Deborah Gaul	City Administrator	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Nora Springs, Iowa

We have performed an agreed-upon procedures engagement of the City of Nora Springs pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Nora Springs for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed general obligation bonds/notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Nora Springs, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Nora Springs, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nora Springs and other parties to whom the City of Nora Springs may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
August 4, 2014

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

Recommendation - We realize that segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) **Certified Budget** - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." In addition, the budget was amended after May 31, 2014.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget and budget amendments should be adopted prior to May 31.

- (C) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include a summary of all receipts. The minutes for all meetings tested did not include a summary of receipts.

Recommendation - The City should comply with the Code of Iowa and publish a summary of receipts in the City Council minutes, as required.

- (D) **Financial Condition** - At June 30, 2014, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue	
Storm Damage	\$ 183,826
Capital Projects	
2013 Sanitary Sewer	9,477

Recommendation - The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

- (E) **Payroll** - Timesheets did not include evidence of supervisory review.

Recommendation - All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (F) **Fund Balance** - We noted the total Special Revenue fund balance reported on the June 30, 2013 Annual Financial Report did not agree to the total Special Revenue fund balance reported in the general ledger by \$3,400. City staff said the issue was related to a software problem and the way insurance withholding was recorded to the general ledger.

Recommendation - We recommend the City continue to work with the software company to resolve this issue.

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (G) **Annual Financial Report** - During our review of the June 30, 2013 Annual Financial Report, we noted the budgeted revenue and expenditures reported were not from the final budget amendment. We also noted total salaries and wages reported in Part IV of the Annual Financial Report did not reconcile to the general ledger by \$285.

Recommendation - We recommend final budgeted revenue and expenditures be reported on the Annual Financial Report. We also recommend total salaries and wages paid reported in Part IV of the Annual Financial Report agree to the general ledger.

- (H) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Alan Brallier, Council Member, Owner of Brallier Tooling & Mfg.	Supplies and repairs	\$ 795

These transactions do not appear to represent a conflict of interest in accordance with Chapter 362.5(k) of the Code of Iowa, since total transactions were less than \$2,500 during the fiscal year.

Recommendation - The City should continue to monitor transactions with City officials or employees.

- (I) **Bank Reconciliations** - The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. However, for one of the two months reviewed, bank and book balances did not properly reconcile by \$6.90. In addition, the bank reconciliations are not independently reviewed by someone who is not involved in the reconciliation process.

Recommendation - The City should establish procedures to ensure any variances are reviewed and resolved timely. In addition, an independent person such as an elected official, should review all bank reconciliations and agree the balance used on each reconciliation to the bank statement, scan outstanding checks and deposits for propriety and agree the reconciled balance to the general ledger. The reviewing individual should document their review by signing or initialing and dating the reconciliations.